

Message Text

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ORIGIN BIB-01

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TO AMEMBASSY LISBON IMMEDIATE

C O N F I D E N T I A L STATE 012406

E.O. 11652:GDS

TAGS: PINT, PO, US

SUBJECT: BIB/RFE NEGOTIATIONS

REF: LISBON 0365

AFTER DISCUSSIONS BETWEEN DEPARTMENT, BIB AND RFE/RL IN
WHICH DCM PARTICIPATED, FOLLOWING DRAFT REPLY WAS AGREED
FOR PRESENTATION TO SOARES LOURO:

1. COMPENSATION: IT WILL BE RECALLED THAT THE
RARET DRAFT PROPOSAL OF 5 MAY SUGGESTED AN ANNUAL FEE
OF APPROXIMATELY \$130,000 PER ANNUM FOR A TOTAL OF SOME
\$1,750,000 OVER A 15-YEAR PERIOD. THE DECEMBER 22 COUNTER-
PROPOSAL SUGGESTED A FORMULA AMOUNTING TO AN AVERAGE
ANNUAL PAYMENT OF ALMOST \$900,000, OR \$13,400,000 OVER
THE FIFTEEN-YEAR LIFE OF THE CONTRACT. THE AVERAGE
PAYMENT FOR THE PREVIOUS TEN-YEAR CONTRACT WAS \$70,000
PER ANNUM. THE MAY 5 RARET DRAFT PROPOSAL ALREADY
REPRESENTED AN INCREASE OF 85 IN RECOGNITION OF CHANGED
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ECONOMIC CONDITIONS. AS WE CONTINUE OUR DISCUSSIONS, WE
BELIEVE IT WOULD BE USEFUL FOR THE FOLLOWING PRINCIPLES
TO BE KEPT IN MIND:

A. THE ANNUAL OPERATING BUDGET OF RARET IN
THE CURRENT YEAR AMOUNTS TO EXPENDITURES
IN PORTUGAL OF ALMOST \$4,000,000. RARET'S

OPERATIONS HAVE HAD A SIGNIFICANT AND BENEFICIAL EFFECT UPON THE SOCIAL AND ECONOMIC WELL-BEING OF THE GLORIA REGION, A FACT WHICH HAS GIVEN US GREAT SATISFACTION.

B. WE BELIEVE THERE SHOULD BE A SINGLE OVERALL CONCESSION FEE, IN PARTICULAR BECAUSE THE CONGRESS OF THE UNITED STATES WOULD NOT ACCEPT THE PRINCIPLE OF RENTAL PAYMENTS ON EQUIPMENT, LAND, OR BUILDINGS ORIGINALLY ACQUIRED AND CONTINUOUSLY MAINTAINED AT THE SOLE COST OF THE UNITED STATES.

C. THE GOVERNMENT OF THE UNITED STATES IS NOW CONSIDERING AN EXPANSION OF TRANSMITTER CAPACITY FOR INTERNATIONAL BROADCASTING. GLORIA WOULD FURNISH A POSSIBLE LOCATION FOR THE INSTALLATION OF SOME OF THESE NEW AND POWERFUL TRANSMITTERS, THUS EXPANDING THE EXISTING GLORIA TRANSMISSION CAPACITY OF 1,835,000 KILOWATTS. WE PROPOSE THAT THE INITIAL CONCESSION FEE BE BASED UPON THIS PRESENT CAPACITY AND THAT THE FEE BE INCREASED IN DIRECT PROPORTION TO ANY INCREASE IN KILOWATT TRANSMITTER CAPACITY IN THE FUTURE. FOR EXAMPLE, IF THE ANNUAL CONCESSION FEE WERE TO BE \$130,000 AND THE TRANSMITTER CAPACITY WERE TO BE DOUBLED, THE ANNUAL FEE WOULD BECOME \$260,000. IN DETERMINING WHERE NEW TRANSMITTERS WILL BE LOCATED, THE GOVERNMENT OF

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THE UNITED STATES WILL CLEARLY BE INFLUENCED BOTH BY THE LENGTH AND CONDITIONS OF THE CONCESSION IN PORTUGAL.

D. WITH RESPECT TO THE PERIOD SINCE THE EXPIRATION OF THE PREVIOUS TEN-YEAR CONTRACT, WE ARE PREPARED TO OFFER A LUMP-SUM PAYMENT IN THE AMOUNT OF \$400,000 UPON SIGNING OF THE NEW CONTRACT.

2. NEW EQUIPMENT: PURSUANT TO THE FOREIGN RELATIONS AUTHORIZATION ACT FOR FISCAL YEAR 1977, IT WAS DETERMINED THAT ALL NEW TRANSMITTING FACILITIES TO BE ACQUIRED FOR THE USE OF RARET WOULD BE PURCHASED BY AND REMAIN THE PROPERTY OF THE GOVERNMENT OF THE

UNITED STATES. UNDER THE ABOVE-MENTIONED EXPANSION PLANS, THIS MEANS THAT NEW TRANSMITTERS INSTALLED IN RARET'S PORTUGUESE FACILITIES WOULD BE LEASED

FROM THE U.S. GOVERNMENT BY RARET. SUCH U.S. GOVERNMENT PROPERTY MUST BE EXEMPT FROM IMPORT LEVIES, BUT THIS EXEMPTION WOULD APPLY ONLY TO TRANSMITTERS AND ESSENTIAL ACCESSORIES. EXEMPTION IS NOT BEING SOUGHT FOR OTHER ITEMS.

3. (ARTICLE 16 IN DEC. 22 DRAFT) - DURATION OF CONTRACT
WE DEEM IT ESSENTIAL FOR EFFECTIVE PLANNING AND ORDERLY OPERATION THAT BOTH PARTIES CAN LOOK FORWARD TO THE FIRST TEN YEARS OF A NEW CONCESSION WITHOUT ITS BEING RESCINDED BY EITHER PARTY. BEYOND THAT POINT, A NOTICE PERIOD OF AT LEAST TWO YEARS WOULD BE NECESSARY TO EFFECT A REASONABLE TERMINATION.

4. LABOR CONTRACT (ARTICLE 13 (9)): IT IS UNDERSTOOD THAT THE LABOR CONTRACT REFERRED TO IN ARTICLE 13 WOULD BE AN ADDENDUM TO THE CONTRACT AND WOULD BE CONFIDENTIAL

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REPRESENT AN AGREEMENT BETWEEN THE WORKS COUNCIL REPRESENTING RARET WORKERS AND RARET ITSELF. THIS PROCEDURE IS ACCEPTABLE, PROVIDED THAT THE TERMINATION CLAUSES WOULD NOT BE ACTIVATED IF OPERATIONS WERE DISCONTINUED AS A RESULT OF UNILATERAL ACTION BY THE GOP.

THERE ARE OTHER MATTERS WHICH WILL REQUIRE DETAILED DISCUSSIONS BUT WE BELIEVE THEY ARE NOT AS IMPORTANT AS THE ONES OUTLINED ABOVE. WE LOOK FORWARD TO AN EARLY MEETING WITH YOU IN ORDER TO CONTINUE WORKING TOWARD CONCLUSION OF A MUTUALLY ACCEPTABLE CONTRACT AGREEMENT.
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